

Table of Responses to Categorized Comments from RRG Participants

<i>Category</i>	<i>Party</i>	<i>Question/Issue/Suggestion</i>	<i>Response</i>
1. Transmission Service	BPA	1. Is the voluntary inc and dec market limited to the consolidated control area or is it available on all participating systems?	1. Available to all systems that join the IE (not just the consolidating control areas).
1. Transmission Service	BPA	2. Will individual tariffs have to be modified to eliminate non-firm/short term services in beginning state?	2. Yes. The auction revenue replaces the STF & NF revenue.
1. Transmission Service	BPA	3. Physical injection/withdrawal rights are not issued for new construction until Interim state. If rights given for new construction are not defined until this time, there will not likely be any construction during the beginning state.	3. I/W rights can be awarded at outset. (Development Staging Table changed at 2.2 from Interim State to Beginning State)
1. Transmission Service	BPA	4. Was the Financial Rights/LMP target end state assumed to be like Stage 2?	4. Yes, with transition governed by the TSC process and experience when transition made.
1. Transmission Service	PacifiCorp	<p>Calculation and Posting of ATC</p> <ul style="list-style-type: none"> • Will calculation be flow-based? • Will it be posted by Injection Withdrawal Pair (IWP)? • Non-firm: Will recallable be a function of other schedule changes effecting constraining flowgates? • How will external contract path limitations be considered? 	5. The calculation will be flow based, however other details need to be resolved in the Proposal Development Phase.
1. Transmission Service	PacifiCorp	<p>New schedule requests using ATC</p> <ul style="list-style-type: none"> • Common OASIS platforms with linked transactions or single scheduling administrator and system? <p>Queuing priority: How will multiple competing requests for service be handled? In merit order of bids for service (bid stack) or other such as time stamp?</p>	6. We anticipate a single administrative system for scheduling. For medium and short term, rights auctions will be used. There will be a single queue with coordinated studies for long term requests, however further details need to be resolved in the Proposal Development Phase.
7. Cost Recovery	PacifiCorp	<ul style="list-style-type: none"> • Revenues from new service using ATC are allocated back to TOs on flowability? <ul style="list-style-type: none"> ▪ How does this account for a TO's facilities contribution to N-1 flowgate capacity? ▪ How does it mesh with loads having access based on Company Rate? (Are revenues simply congestion revenues? If so are you assuming TOs are not compensated for short term revenue shortfalls except through EIAF? Or were you assuming EIAF also is allocated by flows?) • Consider allowing IE to negotiate a methodology for allocating revenues aimed at fairly sharing revenues based on contributions of facilities to common grid and minimizing cost shifts among TOs. 	7. Allocation of revenue from sales is detail that needs to be resolved in the Proposal Development Phase.

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1. Transmission Service	PacifiCorp	<p>Pre-Existing Rights Inventory</p> <ul style="list-style-type: none"> • How will curtailment amount and frequency for pre-existing contracts be preserved to levels prior to reduced transmission barriers • Transmission barriers include: <ul style="list-style-type: none"> ▪ Pancakes ▪ Transactional friction ▪ WECC inter Control area Schedule limits ▪ TRM/CBM • Once these barriers are reduced by the IE’s structure and additional capacity sold, increased congestion is likely and absent a fully functioning CM market and financial rights, curtailment can reasonably be expected to increase. Will pre-existing contracts be curtailed only after new uses (even if current contracts do not provide such priority?). How will pre-existing right’s present redispatch responsibilities be inventoried? 	8. Curtailment rights in current contracts are preserved, but the method for doing curtailments and the interaction between old and new services need to be resolved in the Proposal Development Phase. However, the development of the markets may reduce the need for curtailments.
4. Energy Markets	PacifiCorp	<p>IE accepts inc & dec bids for redispatch</p> <ul style="list-style-type: none"> • Via Bulletin Board or Markets? • For congestion or also for ancillary services? <p>How are costs for congestion redispatch and ancillary services allocated back to users?</p>	9. Bids accepted via markets. The costs are not allocated, but are paid for by the bidders who purchase services.
1. Transmission Service	PacifiCorp	<p>IE checks pre-existing scheduling rights</p> <ul style="list-style-type: none"> • Who creates and approves rules and standards • How are 888 non-firm priority and secondary rights accounted for? <ul style="list-style-type: none"> ▪ Via Historical Use? ▪ Via current tariff rules under OATTs? <p>Via future OATT tariff rules of TOs (which TOs may change, subject to FERC approval)</p>	10. Initially TOs make the judgment as to whether a schedule is within the schedulers’ rights, including any non-firm or secondary rights in a contract. This responsibly moves to the IE when the inventory is completed, with the inventory including rights which exist in the contracts. The new short term market sale of firm rights may make non-firm secondary rights unavailable, just as sales of firm rights today can eliminate such rights. On the other hand, use of a system-wide evaluation of schedules may make capacity available so that the secondary rights can be exercised.
1. Transmission Service	PGP	1. What event defines the “start of operations” of the beginning state? Does this event “start the clock” on all activities that have windows during which action or deliberation must occur, or are there different windows?	11. The milestone referred to as “operational startup” occurs when the IE begins to accept schedules. This term is used consistently in the revised draft “Development Staging Table” and associated narrative to establish advance target state milestones.

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7. Cost Recovery	PGP	2. Will TO-to-TO (Transmission Owner) transmission contracts be suspended and replaced with transfer payments, as in the RTO West Stage 2 pricing proposal? If so, the flow of funds through the IE will be much more substantial than might appear from the November 17 draft. In any event, the Stage 2 pricing model needs to be revisited, to make sure that it works in conjunction with the November 17 draft regarding new short-term transmission service. Specifically, the new short-term transmission service may change the flow of funds through the IE and to the individual transmission owners.	12. Yes, it is anticipated that the TO-to-TO contracts will be replaced with transfer payments when financial rights are available and conversions occur, however, any funds will flow through a Paying Agent as proposed for RTOW Stage 2 to avoid the tax, bonding and other problems. The specific details of the pricing proposal, including coverage of lost short term and non-firm revenues, need to be resolved in the Proposal Development Phase.
1. Transmission Service	PGP	3. Will the IE calculate ATC on a system-wide basis in the beginning state, for both long-term and short-term requests? If so, how does this work with the Company Rate concept from Stage 2?	13. See response #5. Flow-based ATC calculations are fundamental to this proposal. The present system of allocating TTC to transmission owners may need to be replaced with another approach, which would be developed in a process that includes transmission owners and customers.
1. Transmission Service	PGP	4. Will all current transmission contract holders retain their existing scheduling flexibility in the beginning state (Step 1 of row 1.6)?	14. Yes.
4. Energy Markets	PGP	5. Will the IE perform economic dispatch in the beginning state: give orders to generators and loads? Or will the IE be a “matchmaker” in the beginning state: bringing together willing buyers and sellers who then strike bilateral deals?	15. In the beginning state, the IE will use an inc/dec auction market to enable trade between willing buyers and sellers. The IE doesn’t give orders to generators, but those selected in the auction will have to generate to meet the accepted offers, with failure to perform covered through penalty provisions.

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1. Transmission Service	PNGC	<p>Clarification needed on how curtailment and re-dispatch would work Existing Transmission Contracts (ETC) typically define one or more Points of Receipt (POR) and one or more Points of Delivery (POD). The contract POR would be the same as the points of injection. The POD would be the same as the points of withdrawal. The ETC may or may not define the contract path assumed for the power flow. However the seller of the transmission service must assure that the total transmission service sold does not exceed the contract path rights owned regardless of expected actual power flows.</p> <p>In scheduling and actual operations the transmission owner must adhere to two different limits for transmission use. First, the transmission owner must not allow use that would exceed the actual flow limits on a path. This is for reliability reasons. Second, the transmission owner must not sell service or allow use that would exceed the contract path limit. This is to prevent the use of another transmission owners system without payment. With the adoption of the Company Rate this second limit is not needed internal to RTO West.</p> <p>The elimination of this second limit may allow the sale of additional or new transmission service. The proposal is to allocate this additional revenue back to the transmission owners on some kind of proportional use basis.</p> <p>It may be necessary to map all ETC to original contract paths for re-dispatch and curtailment reasons. Today the curtailment responsibility and re-dispatch costs are born by schedules on a contract path. If this method is not continued and curtailment and re-dispatch responsibilities are flow based cost shifts will occur. This will be complicated further by having new transmission service sold on a flow basis. Another option is to ignore the cost shifts and do curtailment and allocate re-dispatch costs on a flow basis.</p>	16. Yes added clarification is needed. Same as response #8 - Curtailment rights in current contracts are preserved, but the method for doing curtailments and the interaction between old and new services need to be resolved in the Proposal Development Phase. However, the development of the markets may ease the overall need for curtailments.
1. Transmission Service	PNGC	<p>Clarification needed on Scheduling Methods for NT load service Schedules for NT load service should be aggregated some way. Separate schedules should not be required for each injection (POR) and withdrawal (POD). Today PNGC Power has approximately 193 POD but is required to estimate load and enter only 3 schedules for each hour because loads are aggregated. In the extreme case with 193 POD and a dozen or more possible POR the 3 existing schedules per hour could turn in to more than 2000 schedules per hour. Some of the more than 2000 schedules per hour might be less than 1 MW. Without some kind of aggregation for NT load service the number of schedules required for each hour would be un-workable.</p>	17. The details of network type schedules (NT and native load service) will need to be resolved in the Proposal Development Phase.

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1. Transmission Service	PPC	<ul style="list-style-type: none"> A common cost recovery treatment of generation interconnection facilities and transmission system expansions is lacking. The loads that receive the commercial benefit of the new generation should pay for the interconnection and any facilities additions needed to deliver the power. This may require the use of participant funding and direct assignment to ensure that loads in the transmission system where new generation is sited do not have to pay for the interconnection if the generation is to be consumed outside of that system. The ability to ensure that the beneficiaries pay is important to ensuring stability of company rates. 	18. With regard to generator interconnection, FERC standards will apply. For expansion, there are methods in the RTOW Stage 2 proposal that will be used to meet these concerns.
7. Cost Recovery	PPC	<ul style="list-style-type: none"> The Beginning State notes a preference for the company rate proposal of RTO West Stage 2. The Beginning State also declares that short-term transmission would be auctioned. It is not clear how an auction would fit into the design of the company rate proposal. Introduction of an auction raises the risk that historical levels of short-term and non-firm revenues would be under-collected. In the Stage 2 proposal, an export fee was intended to prevent under-collection of short-term and non-firm revenues. It is not clear how this will fit or whether it will provide sufficient protection. <p>PPC is troubled by the workability of this rate design. The use of reserve bids might help, but it might not provide a complete solution. It will be important for the Drafting Group to provide details about how the revenue requirements will be collected from each of the transmission services proposed. It would be helpful if the Drafting Group could provide us with some details allowing us to follow the money through the model.</p>	19. Auction revenues provide a replacement for short-term and non-firm revenues in a Company Rate proposal. Assessing the adequacy of Company Rate design mechanisms compared to historic approaches will need to be resolved in the Proposal Development Phase.
2. Planning	BPA	5. We would suggest adding explicit reference to the importance of non-wires alternatives in the IE planning process since this is so important to many of the regional interests.	20. It is expected that the non-wires alternatives language from the RTOW Stage 2 planning proposal will apply.
2. Planning	PGP	6. What criteria will identify a transmission project as eligible for the IE's initial authorities, due to its designation as a reliability or TTC project?	21. Criteria used in the RTOW Stage 2 planning proposal are expected to apply.
3. Control Area Operations	BPA	6. Are there two markets or one integrated market for (i) balancing energy within consolidated control area and (ii) congestion management inc's and dec's?	22. In the Beginning State, there is a day-ahead inc/dec market. A real-time balancing market for the consolidated control areas will be separate, although it may be open to others depending on details yet to be developed for consolidating control areas.
3. Control Area Operations	BPA	7. Did the drafting team consider whether a green field control center site would be necessary?	23. This is an issue to be resolved when the budget for a full design/implementation proposal is developed.

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3. Control Area Operations	BPA	8. We are assuming that there would be a need to do a true-up of individual tariffs in the beginning state. Is this correct?	24. If “true up” means tariff consistency, there may be some adjustments to tariffs to achieve consistent terms, conditions, and practices.
3. Control Area Operations	PPC	<ul style="list-style-type: none"> Control area consolidation is an extremely significant issue for PPC. Each of our 114 members either is located within BPA’s, PacifiCorp’s or Idaho Power’s control areas or is taking deliveries across one or more of those systems. Any consolidation, therefore, directly affects our members’ service and rates and the markets they use. PPC supports the consolidation of control area functions where that consolidation results in cost savings for the operators. We understand that the drafting group discussed this issue in terms of consolidation of technical functions, rather than commercial or market functions. We are concerned, however, that the proposal leaves open the possibility that the control area operators and the independent entity, as provider of control area services, could institute rate or market structures that are not approved by the region. The control area operators that wish to merge must come to some agreement on what consolidation would entail. The RRG, though, is required to place on the independent entity those restrictions that it finds appropriate, including appropriate restrictions on services that the independent entity may provide to the consolidated control area. 	25. These concerns need to be addressed and resolved in the Proposal Development Phase.
6. Market Monitoring	BPA	9. We suggest adding an explicit requirement that the board consider potential market volatility and gaming impacts before moving to the target state for financial rights and locational marginal pricing.	26. No additional predicates should be added to the governance proposal; however, a prudent board will consider these matters when making any recommendation to the region to move to financial rights.
6. Market Monitoring	PGP	7. Assuming that the market monitor can impose a “must-offer” obligation on generators to mitigate market power, is such a requirement compatible with BPA’s statutory authorities? Can a U.S. corporation impose a must-offer requirement on a Canadian entity?	27. Any move to direct enforcement by the market monitor will require regional consultation and a TSC vote. Further, any such proposal will have to be consistent with U.S. and Canadian law, regulations, and agreements.
7. Cost Recovery	BPA	10. Clarify intent that Company Rate, or some necessary modification to avoid cost-shifts, is envisioned as necessary at the beginning.	28. Yes, that is the intent of the proposal.
7. Cost Recovery	BPA	11. We assume the license plate rate approach is envisioned to apply beyond the consolidated control area. Is this correct?	29. Yes.

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7. Cost Recovery	BPA	12. BPA is assuming that self-provision of actual losses is an available option under the hybrid proposal. BPA also assumes that loss methodologies specified in contracts will be honored by the IE without imposing any additional responsibility on the TO. Is this correct?	30. Yes in the beginning, however the loss requirements for new services need to be resolved in the Proposal Development Phase. In addition, the details of a new loss methodology are to be developed by the IE within three years.
8. Regional ADR	PGP	8. (a) Does ADR apply to BPA's contracts with the IE? Does ADR apply equally to BPA and the IE?	31. Yes, to the extent allowed by federal law.
8. Regional ADR	PGP	8. (b) If a transmission customer of BPA is affected by an order that the IE gives BPA, and with which BPA complies, does that customer have ADR rights regarding either the IE's order or BPA's compliance with such an order?	32. See Response #33.
8. Regional ADR	WPAG	<p>A. <u>Alternative Dispute Resolution</u> Alternative dispute resolution ("ADR") is mentioned in sections 1.2 (Physical Interconnection) and 8 (Regional ADR) of the Proposal. Neither of these sections clarifies who would be able to participate in the ADR process. Since speedy and fair dispute resolution is vital to the success of an independent entity, there needs to be clarity regarding who has access to ADR.</p> <p><u>Recommendation</u> – The Proposal should expressly state as a principle that ADR will be available to resolve disputes that arise from the activities of the independent entity, and real parties in interest will be able to participate as a party regardless of the presence or absence of a direct contractual nexus with the independent entity.</p>	33. In general, it is best to resolve as many disputes in the region as possible. However, the complexity of ADR processes requires careful, detailed consideration, and must be considered and resolved in the Proposal Development Phase.
10. Coordination	BPA	13. The seams process should be defined further both for internal and external seams issues. For the external process, we recommend that the SSG-WI process be identified as the approach.	34. The SSG-WI process is expected to be the forum for resolving external seams issues. Definition of an internal process needs to be resolved in the Proposal Development Phase.
11. Governance	BPA	14. Do the 16 vote and 20 vote thresholds apply regardless of how many TSC members vote?	35. Yes.
11. Governance & 1. Transmission Service	BPA	15. Once the board gets approval of a decision to move to financial rights, can it thereafter move from financial options approach to financial obligations approach without getting TSC approval? In other words, is this decision a "one-time" decision?	36. Yes.
11. Governance	BPA	16. Is mandatory consultation with states/provinces/tribes required only for decisions on the "special issues list or for any changes from the beginning state?"	37. Mandatory consultation is required for both "special issues" and issues enumerated in section 7.5.3 of the bylaws.
11. Governance	BPA	17. Given the new veto role of the TSC, does the platform assume further discussions of membership issues (such as packing within segments)?	38. Within member classes the composition of representation could be changed by agreement of the members of the class.

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11. Governance	BPA	18. As part of the evolutionary process, is it envisioned that the IE would be required to perform a cost-benefit analysis as it moves through the special issues and states prior to making a decision? We think such an explicit requirement should be added to the platform.	39. The guiding principle of the proposal is that each major change is feasible and makes sense on its own. A prudent board will consider cost and benefits when proposing a major change.
11. Governance	BPA	19. BPA continues to be concerned by the lack of ability of the IE to deal with commercially significant congestion through a backstop. We are also concerned that the timing and test requirements for the board to vote on adding this authority are too vague in this regard. We would like to see an affirmative requirement for the board to conduct annual assessments of congestion and if this congestion is found to cause market workability issues, the board should be required to take a vote on this special issue to get authority to correct the problem.	40. The planning process will examine transmission congestion issues annually, with the resulting plan reviewed by the IE board. A formal requirement for an evaluation and vote is not needed. The board will not be able to evaluate market failure to resolve chronic, significant, commercial congestion (and what should be done about it) until the board has sufficient information about the location and economic effects of this type of congestion, as well as the market's ability to respond or not respond to it.
11. Governance	BPA	20. The proposal states that, after a decision is rejected by the TSC and remanded to the board, "the Board must vote again on the matter." Does this mean that the board is obligated to schedule the rejected decision for a second board vote even if the board prefers to accept the rejection and not bring the rejected decision up again for a vote?	41. Yes.
11. Governance & 6. Market Monitoring	BPA	21. The ability of the board to authorize the Market Monitor to impose/enforce market penalties or sanctions may be inconsistent with the voluntary nature of ancillary market participation in the hybrid proposal? BPA would like to have the platform clearly indicate that there will not be must-run or must-offer requirement on the federal hydro system.	42. See Response #27.
11. Governance & 6. Market Monitoring	BPA	22. If the TOA imposes limitations on the authority of the board regarding market power mitigation, can the board delegate more authority to the MM than it has?	43. No.
11. Governance & 1. Transmission Service	BPA	23. Do the participating transmission owners have a choice about converting their pre-existing contract rights and obligations if the board elects to move to financial rights?	44. It is anticipated that conversion, which is dependent upon adoption through the board/TSC process, will be similar to the RTOW Stage 2 proposal; that is, the TO-to-IE relationship is converted to financial rights but the conversion of the TO-to-TO relationships is voluntary.

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11. Governance & 1. Transmission Service	NIPPC	<p>“If any changes are to be made” – We believe that a robust RTO would include:</p> <ul style="list-style-type: none"> · Faster and clearer transition to a financial rights model without a trustee selection committee vote · Termination of company rates after a much shorter period than 8 years · A vote of six instead of seven by the Board on key issues to override a trustee selection committee vote · Clear definition, a clear path and a quicker transition to the end state · Fewer items on the Board list for Trustee selection Committee votes 	45. N/A
11. Governance & 1. Transmission Service	NIPPC	<p>We believe that there are refinements to the proposal that are consistent with it that would improve it and would recommend the Platform committee include in its work this week.</p> <ul style="list-style-type: none"> · A clear definition of the beginning state · Certainty that we will not get stuck in a physical rights model that was studied and rejected as infeasible during the Stage 2 process · Precise delineation of the trustee selection committee voting items—NIPPC would not like to see a Board fight over whether or not a certain change qualified as a voting item. <p>Once again these changes should be restricted to only those relating to a major change in scope as proposed in the Platform document.</p>	46. The guiding principle is that every stage must be workable and improve on the existing practice.
11. Governance	PacifiCorp	<p>Issue 1: There is a lack of alignment between the number of votes needed to make key decisions (list of five key issues) by the Trustee Selection Committee (“TSC”) and Board, as well as a lack of alignment between the votes needed to make key decisions and disband the corporation. It should not take more votes for the Board to reconsider moving ahead on an issue than it took for the TSC to require a supermajority vote by the Board. Also it should not take more votes to move, for example, toward a targeted end goal of creating financial rights to support market transactions than it takes to disband the Independent Entity (“IE”). Lastly, a simple majority—even with one member class voting unanimously—should not be able to require supermajority Board approval on the five key decisions.</p> <p>Solution: Change the supermajority needed to implement Board decisions on key issues from 7 votes out of 9 to two-thirds of the Board, or 6 votes out of 9. Eliminate the ability of the TSC to require supermajority Board approval on the unanimous vote of the representatives of one member class and 16 votes overall by TSC members.</p>	47. No change was made to the proposal in order to maintain the balance of regional interests. It isn’t clear that the 7 of 9 board voting requirement is inconsistent with the dissolution provision in the articles of incorporation.

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11. Governance	PacifiCorp	<p>Issue 2: The voting structure of the Major Transmission Owners’ class does not reflect the relative size and facilities’ contribution of potential members. Under the current structure, owners of the vast majority of the grid could have no representation on the TSC.</p> <p>Solution: Provide that two of the representatives of the Major Transmission Owners’ class shall be representatives of and shall be elected by the class members located in the U.S. portion of the RTO West geographic footprint contributing the facilities having the highest and second highest net book value to the IE.</p>	48. Same as response # 38 - Within member classes the composition of representation could be changed by agreement of the members of the class.
11. Governance	PacifiCorp	<p>Issue 3: The RRG discussed clarifying the scope of special issue 3 (conversion to financial rights) for which supermajority approval may be needed.</p> <p>Solution: Clarify that the IE is authorized to develop markets necessary to implement the targeted advanced state using business judgment, but it may not implement financial rights, such as proposed in the Stage 2 RTO West proposal or a revised proposal based thereon, without submitting the financial rights proposal adopted by the Board to the TSC for review (and subject to the supermajority rule if the TSC does not support the proposed implementation).</p>	49. Agreed.
11. Governance	PacifiCorp	<p>Issue 4: At the RRG there was discussion of using the Stage 2 RTO West Bylaws as the foundation for IE governance, amending those bylaws as necessary to incorporate the platform. Given that the checks and balances in the governance proposal are important to the transmission owners considering participating in the IE, as well as to all other regional stakeholders, the region needs to be able to rely on the stability of the bylaws once adopted. For that reason, consideration should be given to limiting the ability of the Board or members to alter the key compromise on governance.</p> <p>Solution: Add a bylaws provision that absent a vote of 6 out of 9 Board members and 75% of the members, the list of key issues subject to TSC review and potentially a supermajority vote of the Board before implementation of a proposal may not be amended. This places a high hurdle in the face of any effort to expand or retract the list.</p>	50. It is intended that it be difficult to make changes to the regional accountability provisions. At a minimum, any change should require both high board and high membership votes. The specific provisions for implementing such a change need to be resolved in the Proposal Development Phase.

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11. Governance	PGP	<p><u>Proposed Changes</u></p> <p>1. The following should be considered as additional items on “the list of big issues”, because they raise significant questions about the costs and risks of the IE, as well as the IE’s ability to interfere with bilateral transactions:</p> <ul style="list-style-type: none"> • authorization for the IE to take positions in spot or forward energy or capacity markets, whether on behalf of a third party or on the IE’s own account • authorization for the IE to sell services on a bilateral basis, except through a separate corporation or subsidiary that completely shields those not purchasing such services from the costs and risks of such sales • authorization for the IE to change conditions on the self-supply of ancillary services 	<p>51. No change made. The first two proposals will be incorporated in the basic beginning state proposal and therefore need not be included as Special Issues List. The third proposal is a change in tariff that would be addressed in a FERC tariff-change proposal that can be challenged, if necessary. Moreover, the Special Issues List was developed out of a compromise of various regional interests. Some parties wanted more issues included, others felt that fewer or none was appropriate (see pages 16 and 17 of the December 8, 2003 draft narrative). Generally the proposal does not envision that the IE will “interfere” with bilateral transaction. Rather it will facilitate bilateral transactions by having day-ahead and real-time operating tools to ensure reliable delivery of energy.</p>
11. Governance	PGP	<p><u>Proposed Changes</u></p> <p>2. If a proposal from the Board on the “list of big issues” is remanded and fails to achieve the required supermajority at the Board, the Board should be required to wait for two years before making another proposal to the TSC on such an issue.</p>	<p>52. No change made. Some changes that caused a remand vote may be able to be revised fairly quickly and not require a waiting period. See page 18 of the December 8, 2003 draft narrative.</p>
11. Governance	PGP	<p>9. Is it possible to perform a cost-benefit analysis on the beginning state?</p>	<p>53. Yes, but the nature and extent of the assessment must be determined later.</p>
11. Governance	PGP	<p>10. Can some additional detail and clarity be brought to the predicates for action on Issue 3: conversion to financial transmission rights?</p>	<p>54. The predicates are guidance to the board and not explicit checklists. The board would have to conclude in its independent judgment that the change is in the best interests of its members.</p>
11. Governance	PGP	<p>11. What aspects of LMP are excluded from and included in Issue 3?</p>	<p>55. Issue #3 is restricted solely to changing the nature of transmission rights to financial instruments. There was no intent to prescribe aspects of LMP to be included or not included.</p>
11. Governance	PGP	<p>12. Can the condition associated with Issue 1 in row 11.3 be clarified? Who decides that “congestion management with transparent pricing” is in place? How will we know when this condition has been met?</p>	<p>56. See Response #54.</p>

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11. Governance	PGP	13. Is the condition for Issue 1 the same as the second predicate for Issue 3? If not, how are they different?	57. See Response #54.
11. Governance	PGP	14. What are the expected roles of the state regulatory commissions? What parts of this proposal will require state regulatory approval?	58. State regulatory commissions are on the advisory committee, are included in a TSC class and, for certain issues, mandatory consultation is required. Approval requirements vary state by state, and will depend upon the nature of the full design coming out of the Proposal Development Phase.
11. Governance	PGP	15. Can “approve an issue” in 11.1 be clarified (e.g., “take any action to implement any of the following changes”, or something to that effect)?	59. Yes. See clarified language in revised Development Staging Table.
11. Governance	PPC	<ul style="list-style-type: none"> In general outline, the governance proposal is a reasonable compromise. It strives for an appropriate balance between independence and regional control. But there are areas in the proposal where regional control is cut off. For example, the TSC is given only a one-time vote on the issue of whether to depart from the company rates. Rate design is an area that has huge potential to move dollars around, and out of, the region. Issues such as this, in which there are clearly defined winners and losers, are inherently political and policy issues. These are issues that should be decided in the region and by the region. And the vote on significant changes in rate design should be an ongoing responsibility of the TSC. 	60. No change was made to the proposal in order to maintain the balance of regional interests. Once a change in the scope of authority has been made, there are ways that interests can be protected; the advisory committees, FERC intervention, and rate case processes provide opportunities for input and for parties to protect their interests.

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11. Governance	WPAG	<p>B. <u>Start Up</u> The Proposal implicitly contemplates that the independent entity will commence operation at the same time for the investor owned utilities and BPA, and that there will be a regional decision making process in place while the independent entity moves through the decisions set out in the Proposal. At the same time, the Proposal also envisions that some, but not all, utilities may combine control areas, and that joining the independent entity will be voluntary.</p> <p>When all of these factors are considered together, it is possible that only two or three utilities could combine control areas and form an independent entity, while other utilities decide not to join. Under such circumstances, it is unclear whether the decisions of the independent entity composed of a minority of utilities on matters set out in the Proposal (such as a shift to a single tariff) would be binding, or how the governance provisions would work in such a situation.</p> <p>Recommendation – There should be a minimum number of participating utilities before the decisions of the independent entity are considered binding for the region. Four participating utilities would be a good minimum participation number.</p>	61. No change made. The decisions of the IE are only binding on its members and those who use services of the IE.
11. Governance	WPAG	<p>C. <u>Matters Not Subject to Special Issues Vote</u> The Proposal sets out a number of fairly important decisions that are not subject to the requirement of the Special Issues Vote. Since enhanced regional accountability is one of the major objectives of the Proposal, clarifying in the Proposal the consultative process that will be followed for matters not subject to the Special Issues Vote would help achieve this objective.</p> <p>Recommendation – The Proposal should state that before taking action on any of the items set forth in the Proposal that are not subject to the Special Issues Vote, the independent entity will provide the Trustee Selection Committee (“TSC”) with advance notification of the matter under consideration, provide the TSC with the information on the matter that is available to the independent entity, and provide opportunities to submit input (in oral and written form) to the independent entity prior to it taking action.</p>	62. The bylaws list additional issues that require consultation. Notice procedures will be resolved in the Proposal Development Phase.

<i>Category</i>	<i>Party</i>	<i>Question/Issue/Suggestion</i>	<i>Response</i>
11. Governance	WPAG	<p>D. <u>TOA</u></p> <p>In the Stage II filing, the TOA played a major role in limiting the actions that the new regional transmission entity could take once it commenced operations. It is unclear from the Proposal where the restrictions on the actions of the independent entity, such as the Special Issue Vote, would be codified and who would be capable of seeking enforcement of them. Clarification in this area is vital to a realistic evaluation of the Proposal.</p> <p>Recommendation – Since regional accountability is one of the major goals of the Proposal, it seems that two clarifications would enhance the Proposal. The first would be to state that the limitations (such as the Special Issues Vote) and other requirements (such as the standards for moving to the next stage) will be included in the bylaws of the independent entity, and that they will be enforceable by any transmission user regardless of the presence or absence of a direct contractual nexus with the independent entity.</p>	63. Recommendation accepted. The special issues list will go into the bylaws.
11. Governance	WPAG	<p>E. <u>Standard for Change</u></p> <p>The Proposal does a commendable job of setting up beginning states, and then providing stages of development to what is called an “advanced target state.” However, with the exception of the transition from a physical to financial rights model (see, section 1.3, Issue 3), the Proposal does not state the standard or criteria that must be satisfied to move from one stage to the next. Since these decisions will be of major importance to the region, clarity on the decision criteria for moving from one stage to the next is important.</p> <p>Recommendation – The Proposal should contain specific criteria to be used by the independent entity to evaluate whether movement from the current to a new stage is warranted. These criteria would apply to both matters requiring a Special Issues Vote and those that do not require such a vote, and should include the following:</p> <ul style="list-style-type: none"> - The change will provide demonstrable benefits over the current situation, and such benefits will exceed the costs of moving to the next stage. - The change will resolve a current, identifiable problem and will not generate new additional problems. - The change will not result in material cost shifts. <p>The change can be implemented within the terms of existing contracts, settlements and other relevant legal obligations.</p>	64. No change made. Any time the board makes a decision the board must reach a judgment that the decision is in the best interests of the organization and its members.

<i>Category</i>	<i>Party</i>	<i>Question/Issue/Suggestion</i>	<i>Response</i>
11. Governance	WPAG	<p>A. <u>Addition to the Special Issues Vote</u> The Special Issues Vote requirement is a way of focusing increased scrutiny on matters that will have a major impact on the regional transmission system, the rights of the transmission system users, or that amount to a major change in the way that the regional transmission system is operated. For the most part, the Proposal does a good job of attaching this additional requirement on issues of importance.</p> <p>However, there is one issue in the Proposal that did not get included in the Special Issues category that deserves such treatment, and that is the shift to a single tariff (Section 1.4, Tariff Administration). The shift to a single tariff, presumably issued by the independent entity, will potentially have a profound impact on the procedural rights of transmission users, as interested parties throughout the region. Such a major shift in how transmission rates are set should be subject to the heightened scrutiny that comes from the Special Issues Vote procedures.</p> <p>Recommendation – The shift from multiple to a single tariff (Section 1.4) should be subject to the Special Issues Vote procedure.</p>	65. No additional issues have been added to the special issues list.
11. Governance	WPAG	<p>B. <u>Shift to Financial Model</u> Conversion from the physical rights to a financial rights model must be taken up by the independent entity not later than three and one-half years after startup. If it is not implemented at that time, it must be reconsidered every two years thereafter in perpetuity. (Section 11.3, Issue 3). This is the only matter that has an ongoing requirement of this sort. While it is understandable that the independent entity should be required to revisit this issue a limited number of times, the notion that it be required to do so every two years forever makes no sense.</p> <p>Recommendation – The independent entity should be required to determine if conversion to a financial rights model is called for, based on the normal criteria for change and the Special Issues Vote procedures, at a point three and one-half years after startup, and again at a point six years after startup. Thereafter, the independent entity should be free to take this matter up, or ignore it, on timing of its own determination.</p>	66. No change was made to this provision in the proposal.

<i>Category</i>	<i>Party</i>	<i>Question/Issue/Suggestion</i>	<i>Response</i>
11. Governance	WPAG	<p>C. <u>Special Issues Vote</u></p> <p>The Special Issues Vote provides scrutiny on matters that will have a major impact on the regional transmission system, the rights of the transmission system users, or that amount to a major change in the way that the regional transmission system is operated. These matters will remain important even after the first decision is made to make a change in any of these areas. As the Proposal is currently structured, only the first decision of the independent entity in each of these areas is subject to the Special Issues Vote procedure. After that initial decision, the Proposal treats these matters as having little regional significance.</p> <p>The matters identified in the Proposal as being sufficiently significant to require the Special Issues Vote procedures will continue to be important even after the initial decision. As a consequence, decisions in these areas made after the initial decision should be subject to the Special Issues Vote procedures.</p> <p>Recommendation – The Proposal should state that all decisions in areas that are subject to the Special Issues Vote requirement should continue to those procedures over time. For example, the initial decision to shift from a company rate to some other rate is subject to the Special Issue Vote requirement. Once that change has been made, a change to the rate that took the place of the company rate should also be subject to the Special Issue Vote requirement</p>	67. No change made. See Response #60.